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USDOC FOR 532/OEA/LHINES/ADYSON  
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO  
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC  
SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: KAI'S TECHNOLOGY  
DEVELOPMENT LIMITED

REF: A) USDOC 00129

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment-verification(PSV) at Kai's Technology Development Limited, Unit 2506, 25/F, Skyline Tower, 39 Wang Kwong Road, Hong Kong (Kai's). The items in question for this PSV are various electronic ICs exported to Kai's on or about August 27, 2008. On the applicable shippers export declaration (SED), these items are classified under export control classification number (ECCN) 3A001 and, if properly classified, would be controlled for national security (NS) reasons. The exporter was America II Electronics of St. Petersburg, Florida.

¶3. According to the Hong Kong Companies Registry, Kai's has been in existence since 2004. Its paid up share capital is the Hong Kong equivalent of USD 250. The Hong Kong Companies Registry lists two Hong Kong residents as directors, namely Cheung, Fei Pang and Ho, Hon Kai.

¶4. A review of the company's web site ([www.kais-tech.com](http://www.kais-tech.com)) reveals that Kai's specializes in the distribution of electronic components. It is an affiliate of Winstep Technology Limited. Winstep is a manufacturer of DVDR, CDR, DVD players and other similar electronic devices. The company has factories in mainland China and Hong Kong.

¶5. On February 13, 2009, ECO accompanied by Commercial Assistant, Carrie Chan, visited Kai's and met with Joanne Wong, Purchasing Manager. She stated that Kai's is a sourcing company for companies in the United States and Europe. In particular, Kai's sources electronics in China for shipment to companies in those destinations. Ms. Wong stated that direct customers are typically other trading companies and Kai's is not generally aware of the final end-user of its products. When asked, Ms. Wong appeared unaware of Hong Kong licensing requirements for certain ICs (such as this one).

¶6. As to the specific shipment in question, Ms. Wong stated that it was a return from America II Electronics. In particular, America II's customer had returned them as they were not in good working order. Ms. Wong provided the relevant documentation of the return.

¶7. Ms. Wong was open and cooperative during the meeting and answered ECO's questions without hesitation. ECO found Ms. Wong's answers to be credible. ECO provided Ms. Wong with information about U.S. export controls.

¶8. Based on the information noted above, ECO recommends a review of past shipments to Kai's as it is not apparent that Kai's has taken

into account U.S. or Hong Kong export controls in its past activities. Likewise, while ECO does not have specific evidence of any actual violations of the Export Administration Regulations by Kai's, based on information obtained during this PSV, ECO recommends that future shipments of controlled commodities to Kai's should be closely reviewed.